



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB4892

by Rep. Katie Stuart

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-203 new

Amends the State Universities Article of the Illinois Pension Code. Creates a deferred retirement option plan (DROP) for certain participating employees who are eligible to retire under the Article, have never received a retirement annuity from the System, and are active participants in the System. Provides that, during the period of the DROP, the System shall credit to a notional account on behalf of the DROP member an amount equal to the monthly amount of retirement annuity the DROP member would otherwise be eligible to receive had the DROP member retired on the date of the election. Provides that an eligible member may elect to participate in the DROP for a period not to exceed 5 years from the date of election. Requires a DROP member to terminate employment with the employer upon expiration of their participation in the DROP. Sets forth other provisions concerning interest on the account; termination of the DROP; contributions; administrative costs; transfer of administrative responsibility to the State Treasurer; and the tax-qualified status of the System.

LRB104 17874 RPS 31310 b

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by adding  
5 Section 15-203 as follows:

6 (40 ILCS 5/15-203 new)

7 Sec. 15-203. Deferred retirement option plan.

8 (a) As used in this Section:

9 "Deferred retirement option plan" or "DROP" means the plan  
10 created under this Section that provides an alternative method  
11 of benefit accrual in the System.

12 "DROP member" means an eligible member who makes an  
13 election to participate in the DROP no later than July 1, 2030.

14 "Eligible member" means a participating employee who, at  
15 the time of election in the DROP:

16 (1) is otherwise eligible to retire under this Article  
17 with a benefit under the traditional benefit package or  
18 the portable benefit package under this Article;

19 (2) has never received a retirement annuity from the  
20 System; and

21 (3) is an active participant as an employee in the  
22 System.

23 (b) The DROP shall be made available to eligible members

1 no later than July 1, 2027.

2 (c) Eligible members must make the election to participate  
3 in the DROP in writing with the System in a form acceptable to  
4 the System. The System must process the election and begin  
5 crediting an account on behalf of the member as soon as is  
6 practicable after the election has been received by the  
7 System.

8 (d) An eligible member may elect to participate in the  
9 DROP for a period not to exceed 5 years from the date of  
10 election.

11 (e) During the period of the DROP, the System shall credit  
12 to a notional account on behalf of the DROP member an amount  
13 equal to the monthly amount of retirement annuity the DROP  
14 member would otherwise be eligible to receive had the DROP  
15 member retired on the date of the election under this Section,  
16 less any amounts required to be deducted under State or  
17 federal law, including, but not limited to, payments required  
18 under a Qualified Illinois Domestic Relations Order under  
19 Section 1-119. Any automatic annual increases that would have  
20 otherwise been applied to the DROP member's benefit had the  
21 DROP member elected to retire instead of participating in the  
22 DROP shall accrue to the DROP member's monthly payment placed  
23 into the account prior to the expiration of the DROP and shall  
24 otherwise apply to the DROP member's annuity upon expiration  
25 of the DROP. The account shall be held on behalf of the DROP  
26 member.

1       (f) DROP members shall make contributions to the System  
2 during their participation in the DROP in an amount equal to  
3 the employee contributions that would otherwise be required if  
4 the DROP member were an active participant of the System.  
5 Those amounts shall be credited to the DROP account.

6       (g) The amounts credited to the DROP account shall be held  
7 in notional accounts by the System. Any interest accrued by  
8 the System in holding the DROP account shall be used by the  
9 System to offset any administrative costs of managing the DROP  
10 program and shall reduce the amounts collected by the System  
11 under subsection (l). Any interest accrued that is greater  
12 than the administrative costs shall otherwise be used to  
13 offset the costs of the System.

14       (h) Upon expiration or termination of the DROP member's  
15 participation in the DROP, the account balance shall be paid  
16 to the DROP member as a lump sum. The System shall provide  
17 options for the transfer of the account consistent with its  
18 fiduciary duty and any applicable State or federal law. An  
19 expiration or termination of a DROP member's participation in  
20 the DROP may not occur after January 1, 2036.

21       (i) The DROP election is irrevocable, and the DROP member  
22 may not access the account prior to termination or expiration  
23 of the DROP member's participation in the DROP. The DROP  
24 member must terminate employment with the employer upon  
25 expiration of the DROP member's participation in the DROP. The  
26 DROP member's participation in the DROP shall terminate prior

1 to the expiration date:

2 (1) if the DROP member terminates employment with the  
3 employer prior to the expiration of the designated DROP  
4 period;

5 (2) if the DROP member becomes eligible for and begins  
6 collecting a disability benefit from the System; or

7 (3) upon the death of the DROP member.

8 Upon termination or expiration of the DROP period, the  
9 System shall commence the DROP member's retirement annuity  
10 from the System.

11 (j) The DROP member shall be considered in active service  
12 for purposes of eligibility for death and disability benefits.  
13 For purposes of the employer, the DROP member shall be  
14 considered an active employee of the employer.

15 The DROP member shall not accrue additional service credit  
16 in the System while participating in the DROP, whether service  
17 accruals, future pay increases, active cost of living  
18 adjustments, or promotions. Additionally, the DROP member  
19 shall not be eligible to purchase service credit under this  
20 Article. Any amounts due to an alternate payee under a  
21 Qualified Illinois Domestic Relations Order (QILDRO) under  
22 Section 1-119 shall be calculated at the time of the DROP  
23 election and such amounts shall be payable at the time of  
24 election. If the DROP member's designated beneficiary  
25 predeceases the DROP member, and the DROP member dies before  
26 designating a new beneficiary, the DROP member's DROP account

1 shall be paid to the DROP member's estate.

2 (k) It is intended that the DROP shall not jeopardize the  
3 tax-qualified status of the System. The Board shall have the  
4 authority to adopt rules and regulations necessary or  
5 appropriate for the DROP to maintain compliance with  
6 applicable federal laws and regulations. Notwithstanding any  
7 other provision in this Article, all benefits provided under  
8 the DROP shall be subject to the requirements and limits of the  
9 Internal Revenue Code.

10 (l) The costs of administering the DROP account shall be  
11 the exclusive responsibility of the DROP member. The System  
12 shall pay any reasonable administrative cost of the account  
13 and shall reduce the balance of the DROP account in an amount  
14 determined by the System to meet all costs of the account.

15 (m) The Board may transfer the administrative  
16 responsibility of the DROP program to the State Treasurer on  
17 an affirmative vote of the Board.